

**REPORT OF THE AUDIT OF THE  
GALLATIN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

The enclosed report prepared by Tichenor & Associates, L.L.P., Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, L.L.P. to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, L.L.P. evaluated the Gallatin County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**GALLATIN COUNTY FISCAL COURT**

**June 30, 2006**

Tichenor & Associates, LLP has completed the audit of the Gallatin County Fiscal Court for fiscal year ended June 30, 2006.

We have issued an unqualified opinion on the governmental activities, each major fund, and the aggregate remaining fund information financial statements of Gallatin County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$4,532,604 as of June 30, 2006. The fiscal court had unrestricted net assets of \$199,554 in its governmental activities as of June 30, 2006. The fiscal court had total debt principal as of June 30, 2006 of \$3,999,343 with \$29,709 due within the next year.

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Gallatin County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Gallatin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

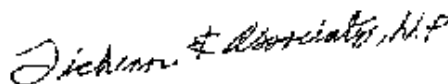
The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gallatin County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2006 on our consideration of Gallatin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Tichenor & Associates, LLP", is written in a cursive, flowing style.

Tichenor & Associates, LLP

Audit fieldwork completed -  
August 28, 2006

## GALLATIN COUNTY OFFICIALS

For The Year Ended June 30, 2006

### **Fiscal Court Members:**

George W. Zubaty	County Judge/Executive
James Campbell	Magistrate
Ken McFarland	Magistrate
Tom Ellis	Magistrate
Eric Moore	Magistrate

### **Other Elected Officials:**

John G. Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Nelson Brown	Sheriff
Vesta Moore	Property Valuation Administrator
Brian Lowder	Coroner

### **Appointed Personnel:**

Lesa Bullard	County Treasurer
Lesa Bullard	Occupational Tax Administrator
Elaine Lillard	Finance Officer
Elaine Lillard	Personnel/Payroll Officer
Mike Satchwell	Road Supervisor
Chris Curtis	911 Administrator

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# Gallatin County Fiscal Court

*Magistrates*  
Eric Moore  
Tom Ellis  
James Campbell  
Kenny McFarland

P.O. Box 144  
Warsaw, Kentucky 41095  
859-567-5691

George Zubaty  
*Judge/Executive*  
John G. Wright  
*County Attorney*

## **Gallatin County Management's Discussion and Analysis June 30, 2006**

The financial management of Gallatin County, Kentucky offers readers of Gallatin County's financial statements this narrative overview and analysis of the financial activities of Gallatin County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights**

- Gallatin County had total net assets of \$4,532,604 as of June 30, 2006. The fiscal court had unrestricted net assets of \$199,554 in its governmental activities as of June 30, 2006. Total debt principal as of June 30, 2006 was \$3,999,343 with \$29,709 due within one year.
- The government's total net assets increased by \$813,173 from the prior year. This increase is primarily due to Occupational Tax and Business License Fees.
- At the close of the current fiscal year, Gallatin County's balance sheet reported a fund balance of \$5,197,122. Of this amount, \$2,695,771 is available for spending at the government's discretion (unreserved fund balance).
- Gallatin County's total indebtedness at the close of fiscal year June 30, 2006 was \$3,999,343, of which \$3,969,634 is long-term debt (due after 1 year) and \$29,709 is short-term debt (to be paid within 1 year). Debt additions were \$3,554,784 and debt reductions were \$137,548 for a net increase of \$3,417,236 during the year.
- In addition, Gallatin County purchased a new Dodge 4x4 Durango for the Sheriff's Department at a cost of \$26,601. Gallatin County resurfaced various roads without incurring additional debt for these items at a cost of \$283,481. Gallatin County also purchased 7 new voting machines at a cost of \$54,950. The county has a continuing effort for sewer expansion and in 2005-2006 spent \$16,500 toward this study. The animal shelter received renovations totaling \$26,216. The court designated \$14,750 as in-kind toward the 127 overlook project. The county purchased 2 new trucks and a sign maker for the Road Department totaling \$41,647. In efforts to keep our county clean, we spend an estimated \$16,000 annually for dumpsters to help curb roadside dumping in our county. The court purchased a 2006 crown Victoria for the Jailer at a cost of \$20,072. The court hired an ECU developer for the new park property with costs not to exceed \$5,000. We invested \$10,000 for soccer, \$9,000 for baseball, and \$11,600 for football projects this year. We assisted the City of Sparta with their park project totaling \$5,000. We assisted the City of Warsaw with a fencing project for the new ball fields amounting to \$25,000. We provided one of our full-time EMT's an opportunity to continue his education and go to Paramedic School at an invested cost of \$3,500. Along with grant monies we purchased a new ambulance at the cost of \$73,819. We also purchased a new Dictaphone for 911 totaling \$8,064. We did not incur any debt for the above purchases.

## Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Gallatin County's basic financial statements. Gallatin County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Gallatin County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Gallatin County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gallatin County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

The government-wide financial statements include only Gallatin County (known as the primary government).

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gallatin County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gallatin County are *governmental funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Overview of the Financial Statements (Continued)**

**Governmental Funds. (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gallatin County maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Ambulance Fund, and the Courthouse Renovations Fund, all of which are considered major funds by the County. The Jail Fund, 911 Fund, 911 Wireless Fund, Local Government Economic Assistance Fund, Tourism Fund, and Economic Development Fund are considered non-major funds and are represented in a combined form.

Gallatin County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of government's financial position.

**Table 1**  
**Net Assets Comparison - Governmental Activities**

	<b>2005</b>	<b>2006</b>	<b>Variance</b>	<b>%</b>
<b>Assets</b>				
Current and Other Assets	\$ 2,320,070	\$ 5,197,122	\$ 2,877,052	1.24
Capital Assets	1,981,468	3,334,825	1,353,357	0.68
Total Assets	4,301,538	8,531,947	4,230,409	0.98
<b>Liabilities</b>				
Current Liabilities	35,789	29,709	(6,080)	(0.17)
Long-term Liabilities	546,318	3,969,634	3,423,316	6.27
Total Liabilities	582,107	3,999,343	3,417,236	5.87
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,399,361	1,834,266	434,905	0.31
Restricted		2,498,784	2,498,784	1.00
Unrestricted	2,320,070	199,554	(2,120,516)	(0.91)
Total Net Assets	\$ 3,719,431	\$ 4,532,604	\$ 813,173	0.22



**Government-wide Financial Analysis. (Continued)**

**Table 2**  
**Statement of Activities Comparison -**  
**Governmental Activities**

	<u>2005</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
<b>Revenues</b>				
General Revenues	\$ 1,962,252	\$ 1,853,052	\$ (109,200)	(0.06)
Charges for Services	374,270	527,927	153,657	0.41
Operating Grants and Contributions	602,905	1,363,983	761,078	1.26
<b>Total Revenues</b>	<u>\$ 2,939,427</u>	<u>\$ 3,744,962</u>	<u>\$ 805,535</u>	0.27
<b>Expenses</b>				
General Government	\$ 667,455	\$ 167,690	\$ (499,765)	(0.75)
Protection to Persons and Property	1,017,858	1,026,357	8,499	0.01
General Health and Sanitation	61,449	72,850	11,401	0.19
Social Services	15,986	15,385	(601)	(0.04)
Recreation and Culture	43,010	973,014	930,004	21.62
Roads	392,916	475,174	82,258	0.21
Debt Service	58,648	196,850	138,202	2.36
Capital Projects	17,020	4,469	(12,551)	(0.74)
Administration	465,590		(465,590)	(1.00)
<b>Total Expenses</b>	<u>\$ 2,739,932</u>	<u>\$ 2,931,789</u>	<u>\$ 191,857</u>	0.07

**Changes in Net Assets.**

*Governmental Activities.* Gallatin County's net assets increased by \$813,173 in fiscal year 2006. Key elements of this are as follows:

- Current assets and cash increased \$2,877,052.
- Investment in capital assets, net of related debt increased by \$434,905.
- Current and long-term liabilities increased by \$3,417,236.
- Revenues were \$3,744,962 as reflected in the Statement of Activities.
- Expenditures totaled \$2,931,789 as reflected in the Statement of Activities.

### **Financial Analysis of the County's Funds**

As noted earlier, Gallatin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Gallatin County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of Gallatin County's governmental funds was \$5,197,122. Approximately 52% (\$2,695,771) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of the fund balance (\$2,501,351) is reserved to indicate that it is not available for new spending because it is committed.

The County has 4 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Ambulance Fund; 4) Courthouse Renovations Fund. There are 6 non-major funds. They are the 911 Fund, 911 Wireless Fund, Jail Fund, Local Government Economic Assistance Fund, Tourism Fund, and Economic Development Fund.

1. The General Fund is the chief operating fund of Gallatin County. At the end of the June 30, 2006 fiscal year, unreserved fund balance of the General Fund was \$721,082, while total fund balance was \$721,150. The county received \$337,879 in Real Property tax revenues. This accounts for approximately 19% of the general fund revenue. \$1,086,098 was received from other taxes, which include motor vehicle tax, delinquent tax, deed transfer tax, payroll tax, franchise tax and in lieu of tax payments and accounts for approximately 62% of the county's general fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had \$1,526,688 in fund balance at June 30, 2006. The fund balance at the end of the previous year was \$1,469,845. The fiscal year 2006 expenditures included major equipment purchase of two new trucks as well as various road paving.
3. The Jail Fund is primarily funded by transfers from the General Fund. The Jail Fund had a fund balance at June 30, 2006 of \$20,642. That is a decrease in fund balance of \$3,607 over the previous fiscal year end. All in all the Jail mainly transports prisoners and houses them at the Carroll County Detention Center at the cost of \$158,364. This is an increase over the prior year by \$24,712 which seems to keep increasing annually for the housing of inmates. The General Fund contributed \$150,000 to the jail operations.
4. The Courthouse Renovations Fund was added in fiscal year end June 30, 2006 in order to track the construction costs of the County's courthouse renovation project. The Courthouse Renovations Fund had a fund balance of \$2,498,784 at June 30, 2006.
5. The Local Government Economic Assistance Fund had a fund balance of \$105,772, an increase of \$83,026 over the previous fiscal year end. This is mainly due to the General Fund absorbing the cost of Jail Funding completely.

**Financial Analysis of the County's Funds (Continued)**

6. The Ambulance Fund is used to provide EMS services to the residents of Gallatin County. Gallatin County had a fund balance of \$59,096 as of June 30, 2006. Revenues proved to be an increase in the Ambulance Fund and expenditures were kept to a minimum.
7. The 911 Fund had a fund balance of \$6,354 as of June 30, 2006 which is an increase of \$295 from the prior year. This fund is also supported by the General Fund and the 911 Wireless Fund. It is not self-sufficient.
8. The 911 Wireless Fund had a fund balance of \$39,823 as of June 30, 2006 which is an increase of \$6,001 from the prior year. It is supported primarily from revenues from CMRS for wireless calls. The 911 Wireless Fund helps fund the 911 Fund and pays the Interact Maintenance Contract.
9. The Toursim Fund had a fund balance of \$16,023 as of June 30, 2006 which is a decrease of \$20,022 from the prior year. This was a result of short-term borrowing to pay for the 127 overlook project that was reimbursed in the 2006-07 fiscal year. We saw an increase of \$1,064 in transient room collections.
10. The Economic Development Fund was added in February 2006. The fund balance was \$202,790 as of June 30, 2006.

**General Fund Budgetary Highlights**

The County's original budget was amended during the fiscal year increasing the operating budget by \$23,124. Budget amendments were made to all areas due to excess revenue and grants.

Actual operating revenues were \$148,195 more than amount originally budgeted by Fiscal Court. This increase was primarily from excess revenue and grants and from the Occupational Tax and Business License Fee ordinances in place.

Actual operating expenditures were within the original budget by Fiscal Court.

### Capital Assets and Debt Administration

*Capital Assets.* Gallatin County's investment in capital assets for its governmental type activities as of June 30, 2006, amounts to \$3,334,825 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, machinery and equipment, vehicles, and current year infrastructure additions.

Additional information on the County's capital assets can be found in Note 3 of this report.

**Table 3**  
**Capital Assets, Net of Accumulated Depreciation -**  
**Governmental Activities**

	<u>2005</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Infrastructure Assets	\$ 853,411	\$ 1,246,365	\$ 392,954	0.46
Land and Land Improvements	330,000	1,150,000	820,000	2.48
Buildings	271,342	263,538	(7,804)	(0.03)
Vehicles	262,025	366,195	104,170	0.40
Equipment	<u>264,690</u>	<u>308,727</u>	<u>44,037</u>	0.17
Total Net Capital Assets	<u>\$ 1,981,468</u>	<u>\$ 3,334,825</u>	<u>\$ 1,353,357</u>	0.68

*Long-Term Debt.* At the end of the 2006 fiscal year, Gallatin County had total long-term debt outstanding of \$3,999,343. The amount of this debt due within the next year is \$29,709 and \$3,969,634 is due in subsequent years. This debt is for road improvements, AOC construction debt, and park land purchase.

Additional information on the County's long-term debt can be found in Note 5 of this report.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

### Requests For Information

This financial report is designed to provide a general overview of Gallatin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Gallatin County Treasurer, PO Box 144 (200 Washington Street), Warsaw, KY 41095.

**GALLATIN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**



**GALLATIN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,197,122
Total Current Assets	<u>5,197,122</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,150,000
Buildings	263,538
Equipment	308,727
Vehicles	366,195
Infrastructure Assets - Net of Depreciation	<u>1,246,365</u>
Total Noncurrent Assets	<u>3,334,825</u>
Total Assets	<u>8,531,947</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations	29,709
Noncurrent Liabilities:	
Financing Obligations	<u>3,969,634</u>
Total Liabilities	<u>3,999,343</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,834,266
Restricted For:	
Capital Projects	2,498,784
Unrestricted	<u>199,554</u>
Total Net Assets	<u>\$ 4,532,604</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**



**GALLATIN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Totals
Primary Government:					
Governmental Activities:					
General Government	\$ 167,690	\$ 85,758	\$ 398,920	\$ 316,988	\$ 316,988
Protection to Persons and Property	1,026,357	373,742	156,436	(496,179)	(496,179)
General Health and Sanitation	72,850	17,916		(54,934)	(54,934)
Social Services	15,385			(15,385)	(15,385)
Recreation and Culture	973,014			(973,014)	(973,014)
Roads	475,174	50,511	808,627	383,964	383,964
Debt Service	196,850			(196,850)	(196,850)
Capital Projects	4,469			(4,469)	(4,469)
Total Governmental Activities	2,931,789	527,927	1,363,983	(1,039,879)	(1,039,879)
Total Primary Government	\$ 2,931,789	\$ 527,927	\$ 1,363,983	\$ (1,039,879)	\$ (1,039,879)
General Revenues:					
Taxes:					
	Real Property Taxes			337,879	337,879
	Personal Property Taxes			78,198	78,198
	Motor Vehicle Taxes			77,980	77,980
	Occupational Taxes			728,860	728,860
	Other Taxes			477,864	477,864
	Excess Fees			21,438	21,438
	Miscellaneous Revenues			62,341	62,341
	Interest			68,492	68,492
	Total General Revenues			1,853,052	1,853,052
	Change in Net Assets			813,173	813,173
	Net Assets - Beginning (Restated)			3,719,431	3,719,431
	Net Assets - Ending			\$ 4,532,604	\$ 4,532,604

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**



**GALLATIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>Courthouse Renovations Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 721,150	\$ 1,526,688	\$ 59,096	\$ 2,498,784	\$ 391,404	\$ 5,197,122
Total Assets	<u>\$ 721,150</u>	<u>\$ 1,526,688</u>	<u>\$ 59,096</u>	<u>\$ 2,498,784</u>	<u>\$ 391,404</u>	<u>\$ 5,197,122</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	\$ 68	\$ 513	\$ 1,297	\$	\$ 689	\$ 2,567
Capital Projects Fund				2,498,784		2,498,784
Unreserved:						
General Fund	721,082					721,082
Special Revenue Funds		1,526,175	57,799		390,715	1,974,689
Total Fund Balances	<u>\$ 721,150</u>	<u>\$ 1,526,688</u>	<u>\$ 59,096</u>	<u>\$ 2,498,784</u>	<u>\$ 391,404</u>	<u>\$ 5,197,122</u>

**Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 5,197,122
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	4,350,253
Accumulated Depreciation	(1,015,428)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(3,999,343)
Net Assets Of Governmental Activities	<u>\$ 4,532,604</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**GALLATIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Ambulance Fund</b>	<b>Courthouse Renovations Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 1,305,225	\$	\$	\$	\$ 104,719	\$ 1,409,944
In Lieu Of Taxes	118,752					118,752
Excess Fees	21,438					21,438
Licenses And Permits	83,311					83,311
Intergovernmental	140,895	808,627	10,017		372,569	1,332,108
Charges For Services	17,916	1,503	370,148			389,567
Miscellaneous	55,866	59,530	1,153		204,801	321,350
Interest	11,566	53,096	149		3,681	68,492
Total Revenues	<u>1,754,969</u>	<u>922,756</u>	<u>381,467</u>		<u>685,770</u>	<u>3,744,962</u>
<b>EXPENDITURES</b>						
General Government	584,708					584,708
Protection to Persons and Property	206,864		481,050		401,044	1,088,958
General Health And Sanitation	71,850					71,850
Social Services	15,007					15,007
Recreation and Culture	827,361				151,252	978,613
Roads		907,309				907,309
Debt Service	155,006	41,844				196,850
Capital Projects	4,449	20				4,469
Administration	487,882	30,322	35,735		20,991	574,930
Total Expenditures	<u>2,353,127</u>	<u>979,495</u>	<u>516,785</u>		<u>573,287</u>	<u>4,422,694</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(598,158)</u>	<u>(56,739)</u>	<u>(135,318)</u>		<u>112,483</u>	<u>(677,732)</u>
<b>Other Financing Sources (Uses)</b>						
Financing Obligation Proceeds	820,000	236,000		2,498,784		3,554,784
Transfers from Other Funds	122,418		167,600		204,000	494,018
Transfers to Other Funds	(323,600)	(122,418)			(48,000)	(494,018)
Total Other Financing Sources (Uses)	<u>618,818</u>	<u>113,582</u>	<u>167,600</u>	<u>2,498,784</u>	<u>156,000</u>	<u>3,554,784</u>
Net Change in Fund Balances	20,660	56,843	32,282	2,498,784	268,483	2,877,052
Fund Balances - Beginning (Restated)	700,490	1,469,845	26,814		122,921	2,320,070
Fund Balances - Ending	<u>\$ 721,150</u>	<u>\$ 1,526,688</u>	<u>\$ 59,096</u>	<u>\$ 2,498,784</u>	<u>\$ 391,404</u>	<u>\$ 5,197,122</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**GALLATIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,877,052
--	--------------

Amounts Reported for Governmental Activities in the Statement of Activities  
Are Different Because Governmental Funds Report Capital Outlays as Expenditures.  
However, in the Statement of Activities the Cost of those Assets Are Allocated  
Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,575,490
Depreciation Expense	(222,133)

The Issuance of Long-term Debt Provides Current Financial Resources to  
Governmental Funds While Principal Payments on Long-term Debt Are Expensed  
in the Governmental Funds as a Use of Current Financial Resources. These  
Transactions, However, Have No Effect on Net Assets.

Financing Obligations Proceeds	(3,554,784)
Financing Obligations Principal Payments	<u>137,548</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 813,173</u></u>
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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Gallatin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39, there are no component units which merit consideration as part of the reporting entity.

**C. Gallatin County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Gallatin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Gallatin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide and fund financial statements (i.e., the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The County has no proprietary funds or fiduciary funds.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Ambulance Fund** - This fund accounts for ambulance services provided to the residents of Gallatin County. The primary source of revenue comes from ambulance services.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Courthouse Renovations Fund - The primary purpose of this fund is to track the construction costs of the County's courthouse renovation project. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Jail Fund, LGEA Fund, Economic Development Fund, 911 Fund, 911 Wireless Fund, and Tourism Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, LGEA Fund, Ambulance Fund, Economic Development Fund, 911 Fund, 911 Wireless Fund, and Tourism Fund are presented as special revenue funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Courthouse Renovations Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land and land improvements, buildings, equipment, building improvements, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	Capitalize Only	
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Construction In Progress	Capitalize Only	
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	2-40

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Courthouse Renovations Fund is not budgeted. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there are no related organizations for Gallatin County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Gallatin County Fiscal Court: Tri-County Kentucky Airport Board.

**Note 2. Deposits**

The county maintained deposits of public funds with two depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institutions' failure, the county's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 330,000	\$ 820,000	\$	\$ 1,150,000
Total Capital Assets Not Being Depreciated	330,000	820,000		1,150,000
Capital Assets, Being Depreciated:				
Buildings	496,000			496,000
Vehicles	558,329	158,678		717,007
Equipment	384,573	77,331		461,904
Infrastructure	1,005,861	519,481		1,525,342
Total Capital Assets Being Depreciated	2,444,763	755,490		3,200,253
Less Accumulated Depreciation For:				
Buildings	(224,658)	(7,804)		(232,462)
Vehicles	(296,304)	(54,508)		(350,812)
Equipment	(119,883)	(33,294)		(153,177)
Infrastructure	(152,450)	(126,527)		(278,977)
Total Accumulated Depreciation	(793,295)	(222,133)		(1,015,428)
Total Capital Assets, Being Depreciated, Net	1,651,468	533,357		2,184,825
Governmental Activities Capital Assets, Net	\$ 1,981,468	\$ 1,353,357	\$ 0	\$ 3,334,825

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 22,900
Protection to Persons and Property	39,354
General Health and Sanitation	1,000
Recreation and Culture	444
Social Services	378
Roads	<u>158,057</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 222,133</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2005, Gallatin County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$556,500, with principal being due in January 2006. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$2,549.

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advanced Revenue Program	\$ 0	\$ 556,500	\$ 556,500	\$ 0
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 556,500</u>	<u>\$ 556,500</u>	<u>\$ 0</u>

**Note 5. Financing Obligations**

**A. Mars Road**

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of Mars Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Mars Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029. The principal balance at June 30, 2006 was \$350,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 10,000	\$ 17,661
2008	10,000	17,182
2009	10,000	16,671
2010	10,000	16,171
2011	15,000	15,431
2012-2016	75,000	65,950
2017-2021	75,000	47,169
2022-2026	75,000	28,397
2027-2029	<u>80,000</u>	<u>6,683</u>
Totals	\$ 360,000	\$ 231,315
Less: Payments Due July 2006 Paid June 2006	<u>10,000</u>	<u>8,921</u>
Total Outstanding June 30, 2006	<u>\$ 350,000</u>	<u>\$ 222,394</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

**B. Sugar Bay Road**

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2028. The principal balance at June 30, 2006 was \$122,227. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 5,000	\$ 6,183
2008	5,000	5,940
2009	5,000	5,686
2010	5,000	5,436
2011	5,000	5,183
2012-2016	25,000	22,177
2017-2021	25,000	15,917
2022-2026	30,000	9,430
2027-2029	22,227	916
Totals	<u>\$ 127,227</u>	<u>\$ 76,868</u>
Less: Payments		
Due July 2006		
Paid June 2006	<u>5,000</u>	<u>3,133</u>
Total Outstanding June 30, 2006	<u>\$ 122,227</u>	<u>\$ 73,735</u>

**C. Land - County Park and Fairgrounds**

On September 15, 2005, Gallatin County entered into a twenty year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$820,000 in order to finance the acquisition of 155 acres of land for a county park and fairgrounds. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on January 20, 2026. The principal balance at June 30, 2006 was \$795,000. Future principal and interest requirements are:



**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

**C. Land - County Park and Fairgrounds (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 25,000	\$ 35,157
2008	25,000	38,064
2009	25,000	37,186
2010	30,000	35,832
2011	30,000	34,310
2012-2016	165,000	148,085
2017-2021	220,000	100,638
2022-2026	275,000	38,272
Totals	<u>\$ 795,000</u>	<u>\$ 467,544</u>

**D. Courthouse Renovations**

On June 30, 2006, Gallatin County entered into a twenty-one year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$2,498,784 in order to finance the renovations of the Gallatin County Courthouse. The Courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the Trustee by AOC. Interest is paid on a monthly basis and principal payments are paid on a semi-monthly basis until termination of the lease on November 20, 2026. The principal balance at June 30, 2006 was \$2,498,784. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$	\$ 112,426
2008	73,116	111,181
2009	77,172	107,764
2010	81,242	104,238
2011	85,706	100,456
2012-2016	500,111	439,777
2017-2021	646,884	312,735
2022-2026	836,456	148,539
2027	198,097	3,728
Totals	<u>\$ 2,498,784</u>	<u>\$ 1,440,844</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

**E. Roads - Carver Farms Subdivision**

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$79,000 in order to finance the construction of roads in the Carver Farms Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Carver Farms Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. The principal balance at June 30, 2006 was \$78,197. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 1,667	\$ 3,796
2008	1,752	3,915
2009	1,842	3,922
2010	1,936	3,827
2011	2,036	3,726
2012-2016	11,858	16,967
2017-2021	15,230	13,601
2022-2026	19,560	9,279
2027-2031	22,316	3,649
Totals	<u>\$ 78,197</u>	<u>\$ 62,682</u>

**F. Roads - Creekside Subdivision**

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$157,000 in order to finance the construction of roads in the Creekside Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Creekside Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. The principal balance at June 30, 2006 was \$155,135. Future principal and interest requirements are:

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

**F. Roads - Creekside Subdivision (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 3,042	\$ 6,897
2008	3,482	7,648
2009	3,661	7,596
2010	3,849	7,409
2011	4,046	7,207
2012-2016	23,566	32,732
2017-2021	30,266	26,041
2022-2026	38,872	17,454
2027-2031	44,351	6,362
Totals	<u>\$ 155,135</u>	<u>\$ 119,346</u>

**G. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 582,107	\$3,554,784	\$ 137,548	\$3,999,343	\$ 29,709
Governmental Activities					
Long-term Liabilities	<u>\$ 582,107</u>	<u>\$3,554,784</u>	<u>\$ 137,548</u>	<u>\$3,999,343</u>	<u>\$ 29,709</u>

**Note 6. Interest On Financing Obligations**

Debt Service on the Statement of Activities includes \$66,092 in interest on financing obligations.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2006, Gallatin County was a member of the Kentucky Association of Counties' All Line Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustments**

Beginning net assets has been restated for prior year checks voided in the current year and for adjustments to debt principal balances. The result is a net increase of \$2,391. Beginning fund balance of the Ambulance Fund has been restated by \$225 for prior year voided checks.

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**



**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,119,500	\$ 1,119,500	\$ 1,305,225	\$ 185,725
In Lieu Tax Payments	218,000	218,000	118,752	(99,248)
Excess Fees	2,000	2,000	21,438	19,438
Licenses and Permits	53,000	53,000	83,311	30,311
Intergovernmental Revenue	146,650	146,650	140,895	(5,755)
Charges for Services	15,000	15,000	17,916	2,916
Miscellaneous	24,700	47,824	55,866	8,042
Interest	4,800	4,800	11,566	6,766
Total Revenues	1,583,650	1,606,774	1,754,969	148,195
<b>EXPENDITURES</b>				
General Government	663,367	710,149	584,708	125,441
Protection to Persons and Property	262,913	264,435	206,864	57,571
General Health and Sanitation	50,836	80,256	71,850	8,406
Social Services	22,500	27,000	15,007	11,993
Recreation and Culture	9,750	15,750	7,361	8,389
Debt Service	90,434	155,351	155,006	345
Capital Projects	588,566	427,697	4,449	423,248
Administration	530,200	510,921	487,882	23,039
Total Expenditures	2,218,566	2,191,559	1,533,127	658,432
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(634,916)	(584,785)	221,842	806,627
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	122,418	142,418	122,418	(20,000)
Transfers To Other Funds	(317,600)	(339,912)	(323,600)	16,312
Borrowed Money	1,500	1,500		(1,500)
Total Other Financing Sources (Uses)	(193,682)	(195,994)	(201,182)	(5,188)
Net Changes in Fund Balance	(828,598)	(780,779)	20,660	801,439
Fund Balance - Beginning	828,598	828,598	700,490	(128,108)
Fund Balance - Ending	\$ 0	\$ 47,819	\$ 721,150	\$ 673,331

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 754,679	\$ 754,679	\$ 808,627	\$ 53,948
Charges for Services	500	500	1,503	1,003
Miscellaneous	30,842	40,748	59,530	18,782
Interest	25,700	25,700	53,096	27,396
Total Revenues	811,721	821,627	922,756	101,129
<b>EXPENDITURES</b>				
Roads	1,159,387	1,180,387	671,309	509,078
Debt Service	30,542	42,497	41,844	653
Capital Projects	407,000	402,500	20	402,480
Administration	54,880	38,380	30,322	8,058
Total Expenditures	1,651,809	1,663,764	743,495	920,269
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(840,088)	(842,137)	179,261	1,021,398
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds		2,049		(2,049)
Transfers To Other Funds	(122,418)	(122,418)	(122,418)	
Total Other Financing Sources (Uses)	(122,418)	(120,369)	(122,418)	(2,049)
Net Changes in Fund Balance	(962,506)	(962,506)	56,843	1,019,349
Fund Balance - Beginning	962,506	962,506	1,469,845	507,339
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,526,688	\$ 1,526,688



**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 22,000	\$ 22,000	\$ 10,017	\$ (11,983)
Charges for Services	300,000	300,000	370,148	70,148
Miscellaneous	200	200	1,153	953
Interest	100	100	149	49
Total Revenues	322,300	322,300	381,467	59,167
<b>EXPENDITURES</b>				
Protection to Persons and Property	444,900	502,719	481,050	21,669
Administration	48,000	38,000	35,735	2,265
Total Expenditures	492,900	540,719	516,785	23,934
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(170,600)	(218,419)	(135,318)	83,101
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	167,600	167,600	167,600	
Total Other Financing Sources (Uses)	167,600	167,600	167,600	
Net Changes in Fund Balances	(3,000)	(50,819)	32,282	83,101
Fund Balances - Beginning (Restated)	3,000	3,000	26,814	23,814
Fund Balances - Ending	\$ 0	\$ (47,819)	\$ 59,096	\$ 106,915

**GALLATIN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**2. General Fund Reconciliation**

Expenditures

Recreation and Culture - Budgetary Basis	\$ 7,361
Capital Outlay - Land	<u>820,000</u>
Recreation and Culture - Modified Cash Basis	<u><u>\$ 827,361</u></u>

Other Financing Sources (Uses)

Total - Budgetary Basis	\$(201,182)
Debt Proceeds - Land	<u>820,000</u>
Total - Modified Cash Basis	<u><u>\$ 618,818</u></u>

**3. Road Fund Reconciliation**

Expenditures

Roads - Budgetary Basis	\$ 671,309
Capital Outlay - Roads	<u>236,000</u>
Roads - Modified Cash Basis	<u><u>\$ 907,309</u></u>

Other Financing Sources (Uses)

Total - Budgetary Basis	\$(122,418)
Debt Proceeds - Roads	<u>236,000</u>
Total - Modified Cash Basis	<u><u>\$ 113,582</u></u>

**GALLATIN COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2006**

**GALLATIN COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2006**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>911 Fund</b>	<b>911 Wireless Fund</b>	<b>Tourism Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 20,642	\$ 105,772	\$ 6,354	\$ 39,823	\$ 16,023
Total Assets	<u>\$ 20,642</u>	<u>\$ 105,772</u>	<u>\$ 6,354</u>	<u>\$ 39,823</u>	<u>\$ 16,023</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$	\$ 674	\$ 15	\$	\$
Unreserved:					
Special Revenue Funds	<u>20,642</u>	<u>105,098</u>	<u>6,339</u>	<u>39,823</u>	<u>16,023</u>
Total Fund Balances	<u>\$ 20,642</u>	<u>\$ 105,772</u>	<u>\$ 6,354</u>	<u>\$ 39,823</u>	<u>\$ 16,023</u>

**GALLATIN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

<b>Economic Development Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 202,790</u>	<u>\$ 391,404</u>
<u><u>\$ 202,790</u></u>	<u><u>\$ 391,404</u></u>

\$	\$ 689
<u>202,790</u>	<u>390,715</u>
<u><u>\$ 202,790</u></u>	<u><u>\$ 391,404</u></u>

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**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**

**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>911 Fund</b>	<b>911 Wireless Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$ 77,172	\$
Intergovernmental	88,480	178,176	52,000	53,913
Miscellaneous	250	2,674	1,212	
Interest	169	365	89	88
Total Revenues	<u>88,899</u>	<u>181,215</u>	<u>130,473</u>	<u>54,001</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	236,463		164,581	
Recreation and Culture	6,043	96,795		
Administration		1,394	19,597	
Total Expenditures	<u>242,506</u>	<u>98,189</u>	<u>184,178</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(153,607)</u>	<u>83,026</u>	<u>(53,705)</u>	<u>54,001</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	150,000		54,000	
Transfers to Other Funds				(48,000)
Total Other Financing Sources (Uses)	<u>150,000</u>		<u>54,000</u>	<u>(48,000)</u>
Net Change in Fund Balances	(3,607)	83,026	295	6,001
Fund Balances - Beginning	24,249	22,746	6,059	33,822
Fund Balances - Ending	<u>\$ 20,642</u>	<u>\$ 105,772</u>	<u>\$ 6,354</u>	<u>\$ 39,823</u>



**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Tourism Fund</b>	<b>Economic Development Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 27,547	\$	\$ 104,719
		372,569
665	200,000	204,801
180	2,790	3,681
<u>28,392</u>	<u>202,790</u>	<u>685,770</u>
		401,044
48,414		151,252
		20,991
<u>48,414</u>		<u>573,287</u>
<u>(20,022)</u>	<u>202,790</u>	<u>112,483</u>
		204,000
		<u>(48,000)</u>
		<u>156,000</u>
(20,022)	202,790	268,483
36,045		122,921
<u>\$ 16,023</u>	<u>\$ 202,790</u>	<u>\$ 391,404</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

The Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated August 28, 2006. Gallatin County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallatin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

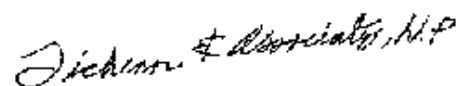
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Gallatin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Tichenor & Associates, LLP". The signature is written in a cursive, flowing style.

Tichenor & Associates, LLP

Audit fieldwork completed -  
August 28, 2006

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GALLATIN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**





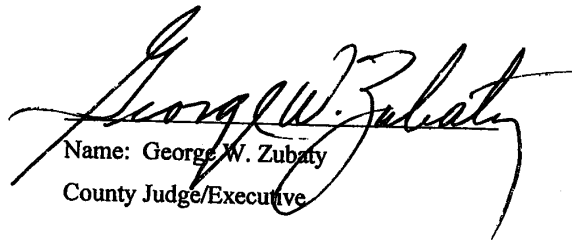
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

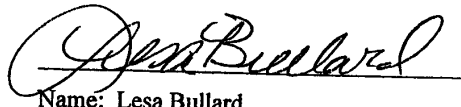
**GALLATIN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2006**

The Gallatin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name: George W. Zubaty  
County Judge/Executive



Name: Lesa Bullard  
County Treasurer